Evaluating the Rural Self-employment schemes launched by the Central Government

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CCS RESEARCH INTERNSHIP PAPERS 2004

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Swarnajayanti Grameen Swarojgar Yojana (SGSY)
The SGSY was launched by the Government of India on 1 April 1999 as a single holistic programme to cover all aspects of rural self-employment. The funding of the programme was to be done jointly by the Central and the State governments with the Centre contributing three-fourths of the funds. SGSY was put in place to cover thirty percent of the rural poor living below the poverty line (BPL) in five years. Covering them under this scheme meant investing a total of Rs. 25000 per family (household unit)

This is a review of SGSY based on the mid-term CAG (Comptroller & Auditor General) audit report of the scheme and a mid-term concurrent evaluation study conducted by the Ministry of Rural Development (MoRD). Both the studies were published in the year 2003.

IRDP and SGSY: scrutinizing the 'sweeping' changes
Integrated Rural Development Programme (IRDP), launched in 1976 on a pilot basis in 20 select districts across the country, was subsequently introduced throughout in October 1980. It was meant to be a poverty-alleviation programme designed to create an income-generating base for the rural poor 'below the poverty line (BPL)'. SGSY, as it stands now, is only a slightly upgraded version of the IRDP with a few minor differences.

IRDP was meant to complement other specialised schemes as well. These included the Training of Rural Youth for Self-employment (TRYSEM), Development of Women & Children in Rural Areas (DWCRA), Supply of Improved Toolkits to Rural Artisans (SITRA) and Ganga Kalyan Yojana (GKY). The targets of the programme were BPL families. Prior to the assistance being provided, annual family plans had to be drafted with the appropriate specialised schemes included in the plan. The individual family plans formed the basis of the block-level plans which, in turn, were used to make the district-level plans.

SGSY has now a different approach in the sense that the assistance is directed towards self-help groups rather than families. Few individuals in each village can also avail of the assistance but the package of assistance has been set so as to encourage formation of self-help groups (SHG). A SHG is given financial assistance to come up with a suitable income generating activity. The specialised schemes have been done away with and now SGSY, on its own, takes care of all aspects of self-employment for the rural poor.

Under the IRDP scheme, the funding was equally shared by the centre and the state while under the SGSY, the centre now provided three-fourths of the funds and only the rest comes from the state. SGSY seems to be some extent freer from reins of the states as indicated by its reduced contribution to the funds as compared to IRDP and also its reduced involvement in the handling of funds. The funds from the centre find their way directly into the SGSY accounts of the District Rural Development Agencies (DRDAs)[1], for example. However the line departments[2], assisting in the implementation of the scheme at the grassroots level, belong to the state governments as was the case in IRDP.

A new addition to the SGSY has been the concept of 'revolving funds'. A SHG has 6 months to prove its eligibility for a revolving fund. The SHG should form a 'group corpus' with contributions from the members of the group and demonstrate its competence in lending money to the members as well as making sure loans are repaid at appropriate rates of

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[1] DRDAs are institutions created at the district level to implement various local development programmes launched by the Central Government.
[2] These are the relevant departments under various ministries of the state, which provide personnel and technical know-how for these development programmes. In the case of SGSY, they provide, for instance, technical expertise for the setting up of suitable micro enterprises

interest. The group corpus is to be deposited in a savings account of a local bank. The group corpus may include cash, deposits in savings accounts in banks or even money from loans belonging to the members of the SHG. At the end of the 6-month period, a subsidy ranging from Rs 5000 to Rs 10000 equalling the group corpus, is released from the SGSY accounts held by the DRDAs. Such a SHG will then be eligible for credits from the bank in multiples of the 'group corpus' and it can be as high as 4 times the group corpus. The subsidy and the bank credit constitute the revolving fund and are credited to the SHG's saving account in the bank. This is how the financial assistance under SGSY begins. The SHG may be considered for a maximum subsidy of up to Rs 20000 depending on its performance. SHGs can avail of loans and subsidies once they assume the form of income-generating micro enterprises, given the bank is satisfied with repayment of the loan that formed part of the revolving fund. Revolving funds are meant to 'impart credit discipline and financial management skills to the members of the SHG'. The SHG can enhance its own financial capacity by giving out loans to its members, who then will be charged an interest on the loans.

The system of a revolving fund did not exist under IRDP. A mix of subsidy from the IRDP fund and credit from the regional banks were used to finance purchase of assets for families. Unlike IRDP, SGSY- with the help of the SHGs and revolving funds- ensures a gradual and supervised progression of the beneficiaries into a micro enterprise mode. On paper the financing strategy employed under SGSY looks sound and seems to ensure a well planned and a sustained budding of micro enterprises but the CAG report has come down harshly on the implementation of this feature of the programme. According to the report the release of subsidy and credit for the constitution of the revolving funds to sustain evolution of SHGs were irregular and deficient. Also in the three years of its implementation, a survey of 9 different states showed that only 17 percent of the beneficiaries have been members of SHGS; the rest have been individuals. The inaction on the part of the DRDAs and the banks has rendered a good idea on financing the beneficiaries useless. Though on paper SGSY remains a much-improved programme compared to IRDP, its implementation shows very few changes.

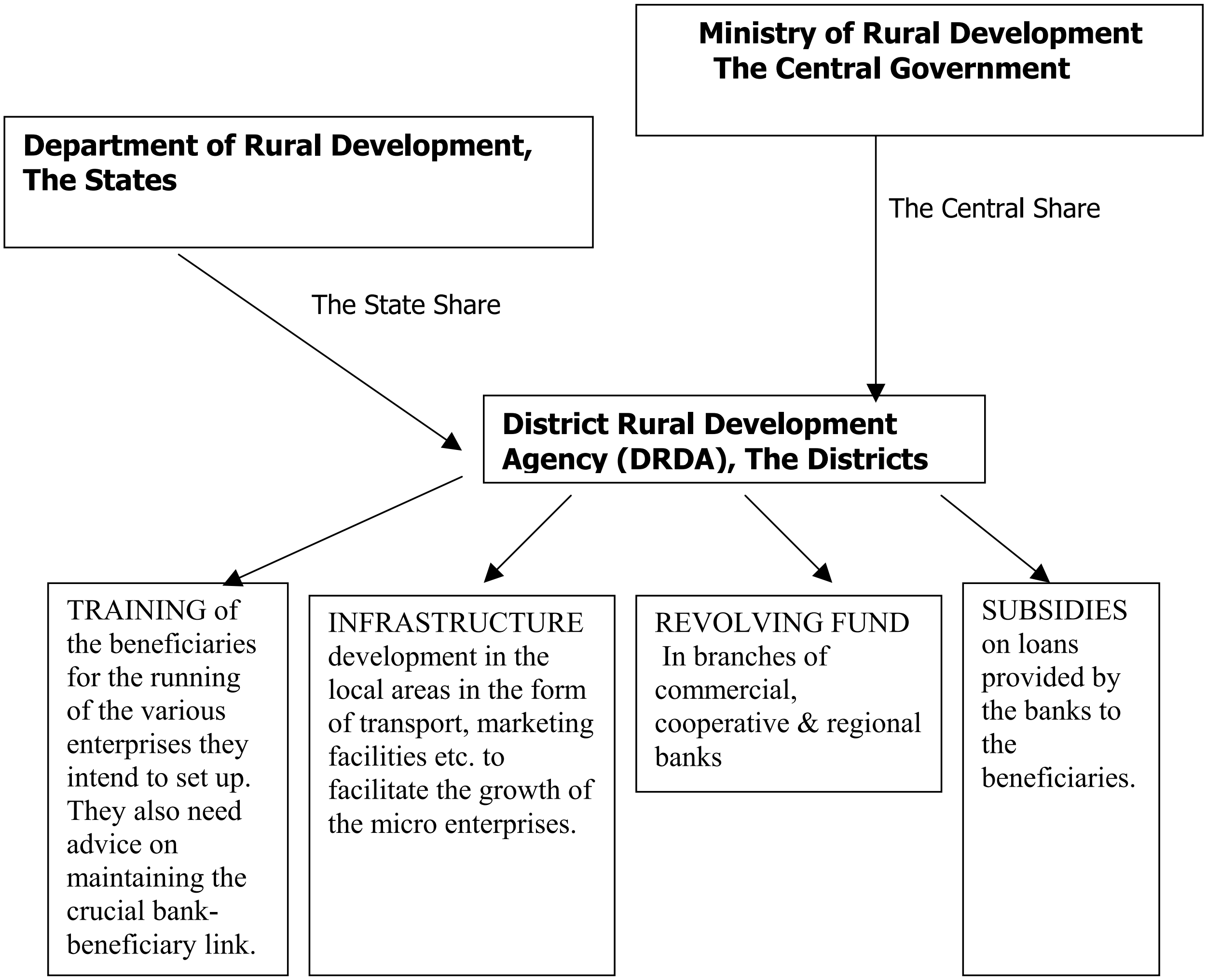
Under SGSY the states have been divided into two categories-general and special. The central government's share of the SGSY funds is meant to be higher in the special category states than the stipulated 75 percent in the case of the general category states. The two categories and the states which fall in them, have been given below:

General Category States: Andhra Pradesh, Bihar & Jharkhand, Dadra & Nagar Haveli, Daman & Diu, Goa, Gujarat, Haryana, Karnataka, Kerala, M.P. & Chhattisgarh, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, West Bengal

Special Category States: Arunanchal Pradesh, Assam, Himanchal Pradesh, Jammu & Kashmir, Manipur, Manipur, Meghalaya, Mizoram, Nagaland, Pondicherry, Sikkim, Tripura.

The ability and the efficiency of the government in implementing a self-employment scheme can be questioned here. The Evaluation Report of IRDP (Planning Commission, 1985) points out cases where even 7 years after the first launching of the programme, the primary requisite of a survey to ascertain the number of BPL families were not carried out in a number of districts. Things have not been very different with the SGSY even when IRDP provided ample experiential knowledge about the ground realities of the functioning of a very similar scheme. Comprehensive surveys of BPL families-meant to be completed by March 1998- were yet to be carried out in June 2002 in several states.

Diagram 1:The Administrative Structure and the Flow of Funds in SGSY



The above diagram shows how the funds released by the Central Government and the States reach the beneficiaries. The first 3 years of its implementation has shown that the releases to the SGSY accounts of the DRDAs have simply not been enough considering that, at the unveiling of the scheme, the Central Government intended to cover 30 percent of the BPL families in a period of five years and in doing so, invest Rs 25000 per family. The CAG report tells the story. According to the report, the ambitious plans of the Central Government meant investing Rs 25000 each on 167 lakh families during the period 1999-2004. This amounts to Rs 4175000 lakhs while the total available funds, with the DRDAs during the period 1999-2002, was only 332616.23 lakh rupees. This is incidentally only 7.97 percent of the funds required to meet the objective of the scheme.

The releases by the Central Government and the States have been obviously off the mark by a long way but the DRDAs-at whose disposal the whole of the funds lie- could have done better with the available funds. When a meagre 8 percent of the funds have not been been delivered wholly to the beneficiaries, it will be difficult to imagine that the remaining 92 percent of the funds will reach who they are meant for. An assessment of the unauthorised spending of the SGSY funds is presented in the table below and it must be said that DRDA administration expenses alone accounts for almost 20 percent of the loss.

Table 1: Misutilisation of funds

Misutilisation Categorised	**Amount (Rupees in lakhs)**	**%**
Diverted to a different scheme[3]	671.68	11.5
DRDA administration expenses	989.27	16.9
Administration & administration-related expenditures[4]	504.15	8.6
Diversions, expenditures not specified	3097.07	53.0
Expenditures not categorised[5]	570.71	9.8
Interest on Bank Overdraft	6.42	0.1
Total	5839.30	

The bitter truth: The figures tell the story of why the District Rural Development Agency (DRDA) of the districts all over the country have played a major part in misutilising the funds meant for the beneficiaries under SGSY. Before SGSY came into the scene, the DRDAs- responsible for implementing employment and anti-poverty poverty programmes like the Integrated Rural Development Programme (IRDP), Employment Assurance Scheme (EAS), Jawahar Rozgar Yojana (JRY) etc.- were paid for their administration expenses from the funds of the schemes they were involved with. Misutilisation of the funds of these schemes then, was expected in the Indian context and given that the concerned state departments and the MoRD release funds directly to the DRDA accounts. However, starting 1 April, 1999- the exact day SGSY operations began- a separate DRDA scheme was initiated to take care of the administration expenses of the DRDA. The scheme does not seem to have been a good enough incentive to stop the unauthorised spending of the funds meant for the rural poor.

The Trickle-down effect: Looking deeper into the assistance the beneficiaries finally get

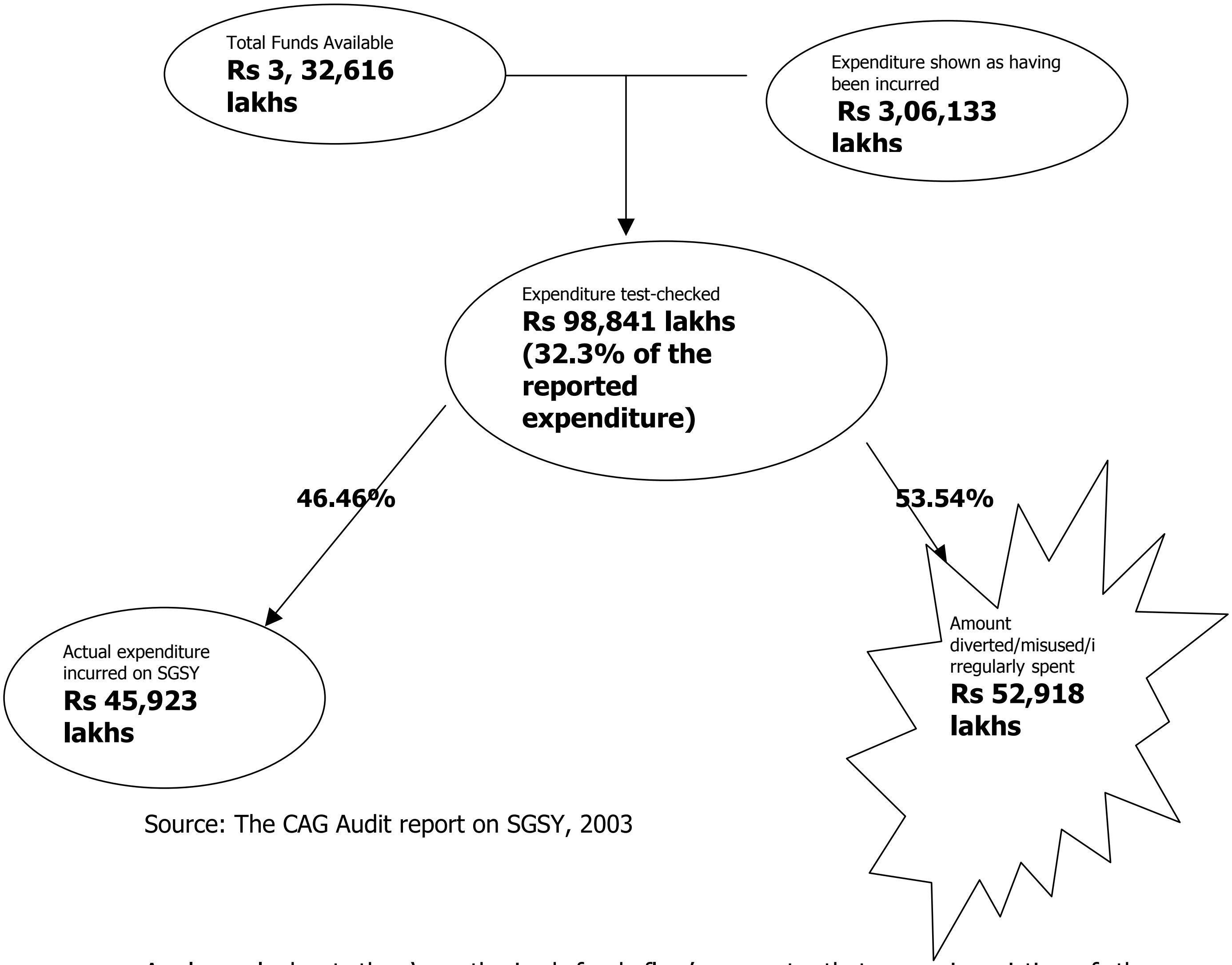
An assessment of the 'test-checked' expenditure under SGSY during the period 1999-2002 by the CAG showed that only 46.46 percent of the expenditure was on the beneficiaries.

[3] Scheme, here, refers to any programme that directly benefits the general public

[4] Administration-related expenditure includes unauthorised expenditure on the facilities the authorities seem to have enjoyed

[5] These include figures on diversions to other schemes and expenditure on unauthorised administrative facilities.

Diagram 2: The Status of Funds



Source: The CAG Audit report on SGSY, 2003

A closer look at the 'unauthorised funds-flow' suggests that a major victim of the misutilisation was the infrastructure development fund. This fund is meant to put the infrastructure in place required to facilitate the activities of the micro enterprises of the SHGs and other beneficiaries. The mobilisation of the fund is again at the discretion of the DRDAs along with the Block-level SGSY committees and the line departments of the states. The DRDAs can reallocate the available SGSY funds for different purposes as per the requirement of the districts but the amount spent on infrastructure must not exceed the 20 percent limit and that spent for training the 10 percent limit. 20 percent of the total expenditure during 1999-2002 is around 61226.61 lakhs. The amount of irregular expenditure from the funds detected in the CAG study i.e. Rs 9595.07 lakhs is 15.83 percent of the authorised expenditure on infrastructure. Here, the calculation of the level of the unauthorised spending of the fund assumes that the entire fund was used.

Table 2: Expenditure in a few select states and the ideal scenario

S.No.	States	Total no. of Swarojgaris[6]	No. of individual swarojgaris	No. of swarojgaris under SHGs	Total expenditure (Rupees in lakhs) (A)	The Ideal Scenario[7] (B)	The ratio A : B
1	Assam	7,297	5,616	1,681	9570.34	1824.25	5.25
2	Gujarat	26,246	19,246	6,820	7955.00	6561.5	1.21
3	Haryana	18,891	17,748	1,143	5850.20	4722.75	1.24
4	Himanchal Pradesh	6,644	3,917	2,727	2203.00	1661	1.33
5	Kerala	50,342	30,747	19,595	7994.85	12585.5	.64
6	Maharashtra	56,372	43,618	12,754	31873.33	14093	2.26
7	Pondicherry	1,007	555	452	150.56	251.75	.60
8	Rajasthan	1,14,677	1,12,685	1,992	14945.34	28669.25	.52
9	Sikkim	6,118	4,417	1,701	478.55	1529.5	.31
	Total	**2,87,594**	**2,38,729**	**48,865**	**81020.83**	**71898.5**	**1.13**

The figures in the above table reveal how unauthorised expenditure was prevalent in the implementation of SGSY. The investment per beneficiary of Rs 25000 is meant for five years. Even considering the beneficiaries listed above have received services worth the amount they are entitled to during the 5-year period, the expenditure, as reported, on them has been way above the mark. In Kerala, Pondicherry, Rajasthan and Sikkim, 30-65% of the funds have been utilised. This is justified considering the scheme was only half way through the stipulated 5-year period when this evaluation was conducted. The CAG study has found out that only 32.21 percent of the SHGs formed throughout the country have assumed some shape of an income-generating enterprise. The study paints a dismal picture on the state of SGSY-related infrastructure in the rural areas. The concurrent evaluation report of MoRD has stated that 71.64 percent of the individual beneficiaries have not undergone any kind of training and a majority of those covered under the scheme are individual beneficiaries and not members of SHGs. Surely there has not been much useful expenditure on training.

Credit and subsidies

As much as 60 percent of the allocated SGSY funds can be used for subsidies to finance SHGs and other beneficiaries once they are capable of income generation The direct financial assistance from the government under SGSY is purely in the form of subsidies.

[6] Only one member of a family can be a swarojgari (a beneficiary under SGSY). The term 'family' though has not been further explained.

[7] This scenario assumes the investment of 25000 rupees per swarojgari. This was the amount the Government intended to spend per family in the first five years of the scheme.

Subsidies are released to facilitate availing of credit from the banks by the beneficiaries. The government effectively purchases loans for the beneficiaries from the banks. These subsidies are not to be released to the beneficiaries and are deposited in the subsidy reserve fund accounts of the beneficiaries. Eventually the repayment of the loan is adjusted against the subsidy provided.

Ironically, even the credit required to constitute the revolving fund has either have been withheld by banks or the release has been delayed by as much as 2 years. This defeats the very purpose of subsidies and therefore the assistance under the scheme. There needs to be a better coordination between the banks and the DRDAs. One would struggle to find any other explanation to the numerous cases of projects being sanctioned by the DRDAs and yet being under-financed other than a lack of coordination between the two parties. The funds supposed to be released to the under-financed projects were found lying unutilised in a few banks. Also, the beneficiaries have been at a disadvantage, for instance, in a block in Mizoram, with the DRDA choosing to release subsidy directly to them without routing it through the appropriate bank. The CAG audit has found under-financing or part-financing of loans and subsidies to the tune of Rs 2594.25 lakhs. This is more than the total funds available in the state of Himanchal Pradesh under SGSY (Rs 2262.06 lakhs) during the period 1999-2002.

The 'credit-subsidy ratio' is a good indication of the level of assistance being provided to the beneficiaries as well as the kind of progress the beneficiaries have made under the scheme. It is a measure of the efficiency of the scheme. A larger ratio means the beneficiaries have been able to avail of a larger credit with the use of relatively less subsidy on the part of the government. Hence, a larger ratio corresponds to a better performance under the programme. The CAG report notes, 'credit-subsidy ratio during the first 3 years of implementation of SGSY was 2.01 compared to 2.39 in the last 2 years (1997-1999) of IRDP'. However it might not be a very good idea to read into this difference considering the IRDP was in operation for almost 2 decades by then and a larger number of the beneficiaries had entered the income-generating stage. The beneficiaries would have thus been capable of availing of more credit with the use of a smaller subsidy.

Special Projects

SGSY has a provision of special projects to facilitate development of enterprises set up from the assistance under the scheme. The projects envisaged here, go beyond the purview of a single district and they benefit swarojgaris from more than one district. As per the SGSY guidelines, 'maximum investment, inclusive of central and state share, under each special project should not exceed Rs 15 crores and the minimum project cost should not be ordinarily below Rs 1 crore'. The decisions regarding these projects are taken at a national level. The state governments or 'semi-government organisations at the national level or international organisations' may submit proposals for these special projects to the MoRD. The appropriate committees constituted by MoRD will look into these proposals and their approval is necessary for the projects to be taken up. 15 percent of the funds allocated at the national level is set aside for such projects by the MoRD. This will go towards funding 75 percent of the cost of the project while the remaining cost has to borne by the state treasury. Only one project shall be approved for a district at a time and the period of implementation of the project must not exceed 3 years.

According to the CAG audit report on SGSY, during the period 1999-2002, a total of Rs 21,722.11 lakhs has been made available for 49 test-checked projects across 12 different states. The funds utilised in these projects amount to Rs. 5,950.84 lakhs, representing a mere 27.39 percent of the available funds. On the whole, 78 projects at a cost of Rs 58,047 lakhs have been sanctioned by the Central Government in 17 states across the country. These projects include setting up of marketing infrastructure, training institutions and irrigation projects. The CAG report states, ' 15 projects scheduled for completion by March 2002 remained incomplete as of June 2002'.

Comparing the Audit (CAG) Report & the concurrent evaluation report (CER) of MoRD

The SGSY has been described as a process-oriented and not a target-oriented scheme. The formation of Self-help Groups (SHGs) for the creation of micro enterprises to generate self-employment has been given top priority. A period of 6 months from the time of launching of the scheme was given for the formation of SHGs to the would-be beneficiaries of the scheme. This was referred to as the first stage. An evaluation of the SHGs was then carried out by personnel authorised by the DRDA. Depending upon its findings, the SHGs were promoted to the second stage and deemed eligible to apply for credits and subsidies from the revolving funds created for them in the the local banks. The SHGs entered the third stage when they became a micro enterprise generating income through their own activities. A comparison of two different evaluations of the state of the SHGs at the end of the period 1999-2002 has been given below:

Table 3: Two Government Reports on SGSY compared

State	SHGs in the Income generating (3rd) Stage (percentage)	
	CAG Audit Report 2003	**Concurrent Evaluation 2003, MoRD**
Andhra Pradesh	57.51	85.22
Arunanchal Pradesh	0	25.40
Assam	18.84	18.95
Bihar	NA	40.18
Chhattisgarh	2.9	10.74
Dadra & N. Haveli	0	NA
Daman & Diu	0	NA
Goa	0	47.69
Gujarat	1.08	31.30
Haryana	14.42	27.73
Himanchal Pradesh	43.47	38.88
Jammu & Kashmir	5.26	8.05
Karnataka	24.35	81.77
Kerala	3.55	51.62
Madhya Pradesh	2.86	29.21
Maharashtra	100	30.30
Manipur	0	82.76
Meghalaya	16.52	0.21
Mizoram	NA	22.08
Nagaland	0	46.67
Orissa	5.41	35.70
Pondicherry	0	2.97
Punjab	24.71	38.69
Rajasthan	1.16	7.99
Sikkim	6.81	16.25
Tamil Nadu	NA	72.35
Tripura	0	7.69
Uttar Pradesh	2.61	49.78
West Bengal	0.02	7.84

A comparison of the data in the CAG Audit report and the Concurrent Evaluation Report shows major variations at the state level. Some of the variation can be attributed to the differences in the depth of the surveys carried out and the methodologies used. However the variations are quite remarkable and demand consideration. The CER findings have, in most cases, been on the higher indicating a much better performance of the SHGs. There are anomalies to this trend. The two reports seem to almost agree on the percentage of productive SHGs in Assam. In Maharashtra and Himanchal Pradesh, the CAG figures have been on the higher. CAG Maharashtra figures show a 100 percent success rate of the SHGs compared to a meagre 30 percent, according to the CER. In the rest of the states the difference in findings have been as stark as 2.61 (CAG) and 49.78 (CER) in Uttar Pradesh, for instance.

A month-long survey on the National Food for Work Programme (NFFWP) in the Dhungarpur district of Rajasthan- that I was involved in- gave me an insight into the workings of these government employment programmes. There is always a huge difference between the features of a programme on paper and how it is actually implemented. The guidelines to such a programme are rarely adhered to. The CAG study indicates that while the formation of SHGs was central to the switch from IRDP to SGSY, the implementing agencies have continued to provide assistance on an individual basis. There are cases where a copy of the guidelines fails to reach the implementing agencies. The works under the National Food for Work Programme are carried out by the gram panchayats. A sarpanch I met was yet to receive a copy of the official guidelines. He was at the mercy of the Panchayat Samiti at the block level for information on the programme. Often the Central and the State Governments are found lacking in commitment towards the running of these programmes. The release of funds is not made on time, thus the widespread delays in wages and loans reaching the beneficiaries.

Another lesson that I learnt from my survey-trip was that it is best to keep the guidelines and the programme as a whole as simple as possible. The people these programmes are targeted at, need to be kept in mind while formulating the guidelines. The beneficiaries have to know precisely the benefits they are entitled to under the programmes. Most of the beneficiaries are illiterate and therefore the need for the make-up of the programme to be as straightforward as possible. It is not enough for the sarpanch and the sachib of the gram panchayat to know the intricacies of the programme. Each beneficiary needs to know the details on the programme before it is actually implemented. A considerable amount of time should be devoted to raising awareness of the programmes. Corruption and misappropriation of funds can be checked only when the beneficiaries start fighting for what they are entitled to. For a simple employment programme like the National Food for Work Programme, almost all of the whole funds are used in the payment of wages. Hence the beneficiaries not getting what they are supposed to, clearly points to misappropriation of funds at the hands of the implementing agencies. On the other hand, a self-employment programme of the nature of SGSY can easily fall prey to corruption. The beneficiaries often have only a rough idea of the workings of the programme and the benefits they eventually avail of cannot be easily quantified. The implementing agencies often end up taking advantage of ambiguous terms like ' funds for training' and 'infrastructure funds'.

A solution to the problem of unauthorised expenditure on the part of the DRDAs would be to leave as little money as possible at their disposal and for as little time as possible. It will not be a bad idea to explore an alternative where all the DRDAs are required to do is to ensure the SHGs are formed and each member receives the Rs. 25000 he/she is entitled to. The subsidy is released into the revolving funds in the banks created for the SHGs as soon as these groups are found to be competitive enough of handling the funds from their dealings on the group corpus. All the SHGs in a locality can pool in resources to create the infrastructure as per their need. They can use the revolving fund to fund their training. The DRDAs and the line departments should be in place just to maintain checks to ensure the progress of the SHGs to the income-generating stage.

Finally, even if the guidelines are strictly adhered to, the SGSY will never benefit the section of the society it is meant for. The Below Poverty Line (BPL) card- holders will benefit from the scheme. Yet it is not all the BPL card-holders, only a fraction of them. Only the BPL card- holders are officially below the poverty line but then there are no qualms over the irrational approach behind the surveys done to ascertain the people below poverty line. The BPL surveys were done by incompetent people and the standards used were faulty. There is a large section of the population that is officially not BPL but still is poor enough. The people belonging to this category are not going to benefit from SGSY at least in the near future.

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